2005 REAL ESTATE MARKET PARTICIPANT SURVEY
SOUTHWESTERN, SOUTHEASTERN & CENTRAL VIRGINIA

Please answer the following questions as they relate to your current involvement in the Central Virginia real estate market. If you are unsure of the applicability of any question, do not answer.

1. What are your expectations in 2005 (as compared to 2004) regarding the overall economy, specifically as it relates to the Southwestern, Southeastern and Central Virginia real estate market? (Circle one – you can note on form if you think it varies in the submarkets)

   Worse Same Better

2. Regarding new development ventures (such as residential/industrial/office land subdivision or multi-tenant office/retail projects):

   a. What is your current minimum acceptable level of anticipated entrepreneurial profit (unleveraged) as expressed as a percentage of (respond only to those that you typically consider):

      Total hard and soft costs of improvements only ___ %

      Total hard and soft costs (land and improvements) ___ %

      Gross lot or unit sales ___ %

      Please specify your development type/category ________________

   b. Relative to a residential subdivision, what is the value of an average unimproved lot as a percentage of the total price of the finished home package in the following price ranges?

Unimproved Lot Price	Finished Home Price Range
___ %	$150,001 to $200,000
___ %	$200,001 to $300,000
___ %	$300,001 to $400,000
___ %	Over $400,000

3. Relative to the purchase of an income producing property in today's market, list the following expectations (answer only those which are relevant to your area of involvement):

	Office	Retail	Industrial	Apts.	Hotels
Anticipated holding period	__ yrs.	__ yrs.	__ yrs.	__ yrs.	__ yrs.
Average annual growth rate					
Gross potential income	__ %	__ %	__ %	__ %	__ %
Expenses	__ %	__ %	__ %	__ %	__ %
Vacancy loss allowance	__ %	__ %	__ %	__ %	__ %
Credit loss allowance	__ %	__ %	__ %	__ %	__ %
Stabilized (going-in) capitalization rate	__ %	__ %	__ %	__ %	__ %
Terminal/reversionary capitalization rate	__ %	__ %	__ %	__ %	__ %
Internal rate of return (unleveraged)	__ %	__ %	__ %	__ %	__ %
Internal rate of return (leveraged)	__ %	__ %	__ %	__ %	__ %

4. When analyzing net income to derive (or apply) overall capitalization rates, do you deduct the following expenses?

Reserves for Replacements	Yes	No	N/A
Leasing Commissions	Yes	No	N/A
Tenant Improvement Costs	Yes	No	N/A

5. What is the typical vacancy period between tenants, and what percentage of expiring leases typically renew:

	Vacancy	% Renewals
Shopping Centers (community)	___ months	_______%
(neighborhood)	____months	_______%
Office Buildings (Class A±)	____months	_______%
(Class B±)	____months	_______%
Office/Warehouse (Flex)	____months	_______%
Warehouse Distribution	____months	_______%

6. What is your estimated cost of sale (commissions, legal and recording fees, etc.) of most types of real estate, expressed as a percentage of total sales price for the following value ranges?

Sales Price Range		Cost Range as a % of Sales Price
Less than	$ 500,000	___ % to ___ %
$ 500,001 to	$1,000,000	___ % to ___ %
$1,000,001 to	$3,000,000	___ % to ___ %
$3,000,001 to	$5,000,000	___ % to ___ %
More than	$5,000,000	___ % to ___ %

7. Please rate your experience and expectation regarding the availability of mortgage financing:

Rating Scale

1 = Inadequate
2 = Adequate
3 = Abundant

	Past 12 months	Next 12 months
Apartments	_____	______
Hotels	_____	______
Industrial	_____	______
Office	_____	______
Retail	_____	______
Residential (A&D)	_____	______

8. Please check the most appropriate blocks regarding your opinion of reasonable selling/liquidity time (from date of listing to date of closing) relative to the following property types or indicate other time frame if applicable. *This assumes property is realistically priced to sell by a reasonably motivated seller*. Please review attached definition before answering this question.

Property Type	Reasonable Selling/Liquidity Time (Months)		
	< 6 Mths.	6-12 Mths.	> 12 Mths.
Retail			
Free-standing single user	___	___	_____
Small center non-anchored	___	___	_____
Neighborhood center anchored	___	___	_____
Community center	___	___	_____
Regional center	___	___	_____
Multi-Family			
Apartment complex (> 120 units)	___	___	_____
Apartment complex (< 120 units)	___	___	_____
Office			
Large office building - well leased	___	___	_____
Large office building - poorly leased	___	___	_____
Small office building (<20,000 SF) - well leased	___	___	_____
Small office building (<20,000 SF) - poorly leased	___	___	_____
Industrial			
Small single user office/warehouse buildings	___	___	_____
Multi-tenant flex/bulk distribution	___	___	_____
Manufacturing buildings	___	___	_____

8. Continued

Property Type	Reasonable Selling/Liquidity Time (Months)		
	< 6 Mths.	6-12 Mths.	> 12 Mths.
Vacant Land			
Single-family residential development	___	___	____
Multi-family residential development	___	___	____
Retail	___	___	____
Office	___	___	____
Industrial	___	___	____
Special Purpose Properties			
Banks, historic, churches, etc.	___	___	____

9. Do you anticipate that prospective marketing time periods will change over the next 12 months?

No change ____ Increase _____ Decrease

Reason(s) for change: ____

____

10. For typical long-term (20 year plus) net commercial land leases, particularly retail outparcels, what return is expected relative to land value? (ex: $500,000 land value , $50,000 annual rent = 10% return/cap rate)

Cap Rate (with flat rent) ____________________

Cap Rate (rent escalation averaging 2% annually over time) ____________________

Subordination Impact? ___________________________

Credit Impact? ___________________________

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Respondent Category (check primary function of your business):

Real estate broker	-Small investment properties -Institutional grade properties
Developer	-Residential -Non-residential
Investor	-Small investment properties -Institutional grade properties
Lender	-Bank -Mortgage broker -Insurance company -Pension fund
Other	____________________

To assure receipt of the results of the survey, please complete the following (**please print**) **NOTE: THE RESULTS OF THE SURVEY WILL ONLY BE SENT BY EMAIL (PDF FORMAT), SO PLEASE INCLUDE YOUR EMAIL ADDRESS BELOW.**

Date survey completed ____________________
Respondent's name ____________________
Company ____________________
Telephone Number ____________________ Fax Number ____________________
EMAIL ADDRESS: ____________________
Comments:

If you know someone else who would be interested in the results of this survey and would be willing to participate, please provide the following information as completely as you can:

Name ____________________
Address ____________________
Telephone No. ____________________ Fax No. ____________________

Please fax your response to (804) 427-6004 or mail to Knight Dorin & Rountrey, 9157 Atlee Road, Suite A, Mechanicsville, VA 23116.
Thank you for your participation. A summary of the results will be forthcoming.

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DEFINITION OF TERMS

Entrepreneurial profit – A market-derived figure that represents the amount an entrepreneur *expects* to receive (or create) in addition to costs; the difference between total cost and market value.
Example - The total cost of a development, inclusive of land and improvements and soft costs, is estimated at $1,000,000. The anticipated value or sales price at the time of completion is $1,200,000. The abstracted entrepreneurial profit is $200,000 or 20% of the total cost of $1,000,000.

Internal rate of return or IRR (unleveraged) – A measure of investment performance; the annualized yield rate or rate of return on capital that is generated or capable of being generated by an investment property or portfolio over a period of ownership. The IRR discounts all returns from the investment, including returns from its termination, to equal the original capital outlay.
Example – An investor is willing to pay $1,000,000 for a property which generates a specified cash flow (net income) over the length of the desired holding period. The internal rate of return is that rate which discounts the cash flows over the holding period (including the net sales proceeds in the final year) into the present value of $1,000,000. This rate is sometimes estimated by adding the projected net income growth rate to the overall capitalization rate.

Overall capitalization rate – An income rate for a total real property interest that reflects the relationship between a single year's net operating income expectancy and total price or value; used to convert net operating income directly into an indication of overall property value.
Example – A multi-tenant property produces annual *net* income of $100,000. An investor is willing to pay $1,000,000. The indicated overall capitalization rate is 10% ($100,000 / $1,000,000).

Reasonable selling/liquidity (marketing exposure) time – That time period necessary to expose the property to the pool of bona fide prospective purchasers, allow for proper negotiation, contract, due diligence, and consummation of sale at a price supportable by concurrent market conditions. The reasonable time required to accomplish an orderly sale transaction, consistent with the definition of market value.

Terminal capitalization rate – The rate used to convert income, e.g., net operating income, cash flow, into n indication of the anticipated future value of the, subject real property at the end of the holding period. As opposed to the going-in capitalization rate which relates the first year's projected net income to the purchase price, this rate is typically applied to the anticipated annual net income after the last year of the holding period.
Example – An investor plans to sell a property after holding it for ten years. The first year's net income is $100,000. The projected net income for the 11th year is $150,000. The investor believes he will be able to sell the property for $1,250,000 at the end of the holding period. The indicated terminal capitalization rate is calculated at 12% ($150,000 / $1,250,000).